

PRAGMATIC COOPERATION: THE U.S.-CHINA FORUM ON ENVIRONMENT AND DEVELOPMENT

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Thank you, Bob Dixon and Liu Zhaodong, and welcome to our 50 visitors in the Chinese delegation. This Forum is an example of the kind of pragmatic cooperation taking place between the world's most populous nation and the world's richest.

I. The Challenge

Lately China has experienced: devastating floods (1998 and 1999); alarming water shortages in northern China; crop losses from acid rain; and city dwellers grown sick from polluted air, uncontrolled coal burning and vehicle exhaust. This has focused the government's attention on ramifications of environmental neglect. This is a tough job for China, because environmental problems are widespread and budget resources are limited. China has over 1.2 billion people, a fast growing economy, and rapidly increasing energy and resource demands. And these environmental problems are only becoming more urgent.

II. The Forum

In March 1997, in Beijing, Vice President Gore and China's Premier created the Forum, whose goal was to expand cooperation and dialogue on sustainable development and environmental protection. We set up 4 working groups:

- The Energy Policy Working Group, which discusses issues of energy supply (conventional, clean fossil fuels, nuclear, renewable, alternative), and major energy-using activities in the industrial, transportation, building, and utility sectors,
- The Environmental Policy Working Group,
- The Science for Sustainable Development Working Group, and
- The Commercial Cooperation Working Group.

The Energy and Environment Cooperation Initiative was signed in 1997 during Jiang Zemin's U.S. visit by former Energy Secretary Federico Pena and State Planning Commission Vice

Chairman Zeng Peiyan. This initiative focuses efforts at the intersection of energy & environmental science, and technology & trade. The target areas include:

- urban air quality,
- rural electrification,
- clean energy sources, and
- energy efficiency.

III. Concrete Results

The U.S. and China are now cooperating on many fronts to: combat global threats such as climate change; ensure continued trade in biotechnology products that do not harm the environment; effectively manage fresh water, coastal and land resources; develop cleaner production methods as well as cleaner and more efficient sources of energy; minimize air pollution and its effects on human health; and mitigate and reduce natural disasters.

Examples of our cooperation include the \$100 Million Clean Energy Program to accelerate deployment of clean U.S. technologies in areas of energy efficiency, renewable energy and pollution reduction. In January, China identified the first project – a wind power station in Inner Mongolia – that may qualify for Ex-Im financing. This would open door to further funds for clean energy projects.

In Houston, Texas, last July, the U.S. and China held the 2nd meeting of the Oil and Gas Industry Forum. The two delegations explored access to information, markets, acreage, and parity for foreign companies and China's state enterprises.

Our two countries are now working on a joint study of natural gas utilization in China to assess potential for expanding natural gas production. Natural gas has climate, environmental and health benefits which are superior to other fossil fuels. U.S. firms are interested in helping China develop its natural gas pipeline network. The share of natural gas in China's energy mix is expected to double to 4 percent by 2005.

We are also working together to develop alternative fuel vehicles to help meet China's transportation demands.

China's long-term energy strategy is to reduce reliance on coal (currently 75 percent of the mix). Air pollution and energy efficiency considerations have prompted interest in cleaner energy options, including: natural gas, wind, hydropower, clean coal technologies, nuclear power, biomass, solar energy, and other forms of renewables. A March 1999 study calls for a sharp break with the self-sufficient, coal-dependent energy posture of the past 5 decades. This study argues that over the next 50 years, China must cut in half its dependence on coal while sharply boosting natural gas, LNG and oil imports, renewables and energy efficiency.

Clean energy is important for 3 main reasons:

1. At the most pragmatic level, the private sector is interested. There are enormous commercial opportunities, and nowhere are these opportunities as significant as in China. This can also help with China's own priorities for development of the western regions.
2. At a strategic level, as China's energy demands have increased, China has become a net oil importer. In the recent past, nations fought over resources such as oil. Today, technology has the potential to make resource scarcities obsolete as reasons for tension between nations. We can use science and market economics to bring resources where needed. And energy is most fungible of all resources. China stresses domestic self-sufficiency in energy resources and production, and seeks to minimize reliance on global marketplace and imported fuels. But through strategic engagement, as well as through promotion of trade, investment and world-class business practices, the U.S. and China can move toward an enhanced notion of energy security. This notion relies on diversification of supply, investments in new technology, and strengthening of market mechanisms.
3. Global matter of climate change - As the 1st and 2nd largest greenhouse gas emitters, the U.S. and China must break the stalemate over mechanisms to implement the Kyoto protocol. While we negotiate over Kyoto mechanisms, we must do all we can in both countries to use cleaner forms of energy. Prior to the January 2000 Forum session, Vice President Gore wrote Premier Zhu, stressing the hope that the 2 governments could explore common approaches to CDM, project financing, and other initiatives to promote private sector investment in clean

energy projects in China. He underscored U.S. interest in joint projects designed to help mitigate greenhouse gas emissions while meeting China's economic development goals. The Premier replied with an offer to resume a high-level dialogue on climate change. The Chinese delegation agreed in principle that, through incentives in advanced energy technology, the rate of growth of greenhouse gas emissions could be reduced while maintaining vigorous economic development. Distance still remains between us, and China has yet to embrace the concept of market-based mechanisms to control rate of greenhouse gas emissions. But we are making progress.

In conclusion, the U.S.-China Forum provides an area of pragmatic cooperation effectively shielded from turbulence in the relationship. We have conducted business frankly and with an eye toward tangible results. Today's Renewable Energy Forum represents pragmatic cooperation at its best. The Office of Vice President looks forward to meeting with the Vice Minister Xu Guanghua on Friday. Thank you.